

## City of Alexandria, Virginia


11

11-22-05

## MEMORANDUM

DATE: NOVEMBER 14, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING  
OCTOBER 31, 2005

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**ISSUE:** Monthly Financial Report for the Period Ending October 31, 2005.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the Period Ending October 31, 2005.

**DISCUSSION:** This report provides Fiscal Year (FY) 2006 financial information on revenues and expenditures of the General Fund for the period ended October 2005. This report presents revenues and expenditures for the same period for Fiscal Year 2005 for comparative purposes (Attachments 1 and 2), and also provides charts of selected economic indicators (Attachment 3). The economic indicators show an increasing regional inflation rate (+4.9% year-to-year), a slowing in home sales (-7%), higher average home sale prices (+24%), and continued low unemployment rate (2.5%). At this time it is too early to project how overall FY 2006 actual revenues will compare to budgeted revenues since most collections represent payments made prior to the due date. General Fund expenditures through the end of October total \$134.4 million, or 2.6 percent higher, than expenditures at the same time last year, primarily for equipment replacement funds transferred at the beginning of the year.

**REVENUES (Attachment 1):** As of October 31, 2005, actual FY 2006 General Fund revenues totaled \$97.6 million, a decrease of \$1.3 million below this time last year. This is primarily due to the amount of real estate taxes paid before the due date this year compared to last year. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

**Real Property Taxes:** Second half 2005 real estate taxes were due November 15. Revenues-to-date are \$16.0 million and represent payments before the due date. First half 2006 real estate taxes will be due on June 15, 2006, and will be based on real estate assessments which will be completed and released on February 14. As indicated at the City Council Retreat in October, it is projected that the City's real estate tax base, which will be the sum of all 2006 assessments, will increase 19%. This will cause real estate tax revenues to exceed the amount budgeted by some currently unknown amount. This amount is not known because it will be determined when Council sets the 2006 real estate tax rate in April.

**Personal Property Taxes:** Personal property tax bills were due on October 5, 2005. The FY 2006 Approved Budget includes a \$32.0 million revenue projection for tax revenue collected directly by the City (including \$15.9 million for vehicles, \$14.9 million for businesses and \$1.2 million for delinquent accounts) and includes an additional \$22.4 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to personal property tax for FY 2006 is \$54.4 million. Collections-to-date, in the amount of \$29.2 million, are 1 percent higher than collections at the same time last year, primarily because of the timing of payments before the due date. An early analysis of the August personal property tax billing projects that the FY 2006 personal property tax collection (vehicle and business property) will approximate the budget. The total tax on all vehicles in the August billing, including the portion that the State reimburses the City under the PPTRA, increased by 6.3 percent. The total number of business personal property tax bills issued, the amount of taxes billed and the total of the assessments of business personal property were comparable to last year, with no significant increase or decrease.

Personal Property Tax (in millions)	Actual to Date FY 2005	Budget FY 2006	Actual to Date FY 2006
City share	\$ 28.9	\$ 32.0	\$ 29.2
Commonwealth reimbursement	<u>18.4</u>	<u>22.4</u>	<u>19.1</u>
Total	\$ 47.3	\$ 54.4	\$ 48.3

**Local Sales and Use Taxes:** Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in October represent revenues collected by merchants in August. The Virginia Department of Taxation is converting to a new accounting system. As a result of this conversion, the Commonwealth's distribution of sales tax to the City for September through November will be an estimate based on a 5.5 percent increase over last year's distribution. The distribution in December will contain an adjustment to any overpayments or underpayments made in the preceding months.

**Consumer Utility Taxes:** Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month. Telephone tax revenues continue to decline as consumers switch from land line phones to cell phones, as well as switch to broadband for Internet access.

**City of Alexandria Consumer Utility Tax Receipts**

Utility	FY 2006 Year-to-date Receipts	FY 2005 Year to Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$1,484,692	\$1,553,262	\$(68,570)
Electricity	1,502,269	1,452,143	50,126
Water	559,111	544,616	14,495
Natural Gas	460,159	460,659	(500)

**Business License Taxes:** The City's business license tax is due March 1. Collections-to-date, in the amount of \$0.8 million represent filings by new businesses and payments on delinquent accounts.

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within 30 days after collection. Therefore, the revenue reflected in this report represents collections by hotels through September. Collections total \$1.7 million, about the same as this time last year.

**Restaurant Meals Tax:** Restaurant meals taxes are remitted to the City within 30 days after collection. Therefore, the revenue reflected in this report represents collections by restaurant through September 2005. Collections total \$2.1 million which is approximately the same as this time last year.

**Real Estate Recordation Taxes:** Real estate recordation tax revenues are collected by the Clerk of the Court and remitted to the City the following month. Collections in the amount of \$1.8 million represent an increase of \$0.4 million, or more than 26 percent, over the previous year. The continued increase is primarily attributable to a continued strong home sales market.

**Admissions Tax:** New for FY 2006, the admissions taxes are remitted to the City within one month after collections and appear to confirm that the \$1.3 million amount budgeted will be met or exceeded.

**Cell Phone Tax:** New in FY 2006, the effective date for the cell phone tax was September 1, 2005 with collections of \$0.2 million representing payments before the November 15 due date for the first payment. It appears that the \$1.7 million budgeted for this new tax will be met or exceeded.

**Other Local Taxes:** This category includes bank franchise taxes, telecommunications right-of-way tax, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes.

**Revenues from the Federal Government:** The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$1.4 million for housing federal prisoners through the period ending October 31, 2005. One payment had been received as of October 31. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

**Licenses and Permits:** Year-to-date revenues include increased construction related permits, primarily for multi-family dwellings.

**Charges for City Services:** Increased collections represent budgeted increases for refuse and sanitary sewer fees.

**Other Revenue:** Other revenues include gifts and donations, damage recoveries and recovered costs.

**EXPENDITURES (Attachment 2):** As of October 31, 2005, actual General Fund expenditures totaled \$134.4 million, an increase of \$3.4 million, or 2.6 percent, above expenditures for the same period last year. The approved General Fund budget is 8.1 percent higher than FY 2005. This expenditure pattern reflects the FY 2006 Approved Budget. The City has incurred approximately \$80,000 in costs related to Hurricane Katrina deployment of City staff to Louisiana and Mississippi primarily for personnel and uniform costs. These costs are reflected in the Special Revenue Fund since the City will receive reimbursement from FEMA for these costs.

**Other Planning Activities:** General Fund expenditures in this category reflect first two quarterly contribution payments to community agencies.

**Transit Subsidies:** Expenditures-to-date reflect the City's first two quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2006.

**Health:** Increased expenditures in FY 2006 represent the first two payments to INOVA Alexandria Hospital. These payments were made later in the year in FY 2005.

**Recreation:** Expenditures reflect seasonal employee costs incurred during the summer.

**School:** The School Administration has reported \$45.0 million in expenses through October 31, 2005. The City's General Fund share of total School budgeted expenditures is approximately

75.8 percent of the total expenditures. This percentage was applied to total School disbursements to estimate School expenditures to date in the amount of \$34.1 million (i.e., 75.8 percent of \$45.0 million).

**Other Education Activities:** Expenditures-to-date reflect the first two quarterly contribution payments to the Northern Virginia Community College.

**Non-Departmental:** General Fund expenditures in this category reflect the City's contributions to the public safety pension plan, senior citizens' rent relief and payment for the City's liability insurance.

**Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants):** To comply with grant awards, the City's share of funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

**ATTACHMENTS:**

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

**STAFF:**

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

**CITY OF ALEXANDRIA, VIRGINIA  
COMPARATIVE STATEMENT OF REVENUES  
GENERAL FUND  
FOR THE PERIODS ENDING OCTOBER 31, 2005 AND OCTOBER 31, 2004**

	<b>FY2006 APPROVED BUDGET</b>	<b>FY2006 REVENUES THRU 10/31/05</b>	<b>% OF BUDGET</b>	<b>FY2005 REVENUES THRU 10/31/04</b>
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 251,056,796	\$ 16,004,607	6.4%	\$ 21,697,654
Personal Property Taxes.....	32,000,000	29,245,437	91.4%	28,949,560
Penalties and Interest.....	1,500,000	412,036	27.5%	510,050
<b>Total General Property Taxes</b>	<b>\$ 284,556,796</b>	<b>\$ 45,662,080</b>		<b>\$ 51,157,264</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 24,400,000	3,877,825	15.9%	\$ 3,675,664
Consumer Utility Taxes.....	18,600,000	4,006,231	21.5%	4,010,680
Business License Taxes.....	26,900,000	834,738	3.1%	884,276
Transient Lodging Taxes.....	7,700,000	1,706,475	22.2%	1,711,075
Restaurant Meals Tax.....	10,100,000	2,112,410	20.9%	2,164,806
Tobacco Taxes.....	3,100,000	736,142	23.7%	634,240
Motor Vehicle License Tax.....	2,400,000	1,896,000	79.0%	1,925,994
Real Estate Recordation.....	6,100,000	1,810,135	29.7%	1,434,211
Admissions Tax.....	1,300,000	311,254	23.9%	-
Cell Phone Tax.....	1,700,000	191,212	11.2%	-
Other Local Taxes.....	3,849,000	505,812	13.1%	648,633
<b>Total Other Local Taxes</b>	<b>\$ 106,149,000</b>	<b>\$ 17,988,234</b>	<b>16.9%</b>	<b>\$ 17,089,579</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 4,400,000	\$ 442,687	10.1%	\$ -
Personal Property Tax Relief from the Commonwealth.....	22,400,000	19,126,432	85.4%	18,427,639
Revenue from the Commonwealth.....	20,866,400	5,673,850	27.2%	5,351,476
<b>Total Intergovernmental Revenues</b>	<b>\$ 47,666,400</b>	<b>\$ 25,242,969</b>	<b>53.0%</b>	<b>\$ 23,779,115</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 3,877,000	\$ 1,146,612	29.6%	\$ 1,251,557
Licenses and Permits.....	3,422,000	1,745,729	51.0%	1,227,351
Charges for City Services.....	12,158,717	3,151,666	25.9%	2,565,420
Revenue from Use of Money & Property.....	6,099,500	2,221,755	36.4%	1,655,395
Other Revenue.....	460,353	484,757	105.3%	173,865
<b>Total Other Governmental Revenues</b>	<b>\$ 26,017,570</b>	<b>\$ 8,750,519</b>	<b>33.6%</b>	<b>\$ 6,873,588</b>
<b>TOTAL REVENUE</b>	<b>\$ 464,389,766</b>	<b>\$ 97,643,802</b>	<b>21.0%</b>	<b>\$ 98,899,546</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	4,330,000	-	0.0%	-
Reappropriation of FY 2005 Encumbrances				
And Other Supplemental Appropriations.....	2,087,658	-	0.0%	-
<b>TOTAL</b>	<b>\$ 470,807,424</b>	<b>\$ 97,643,802</b>	<b>20.7%</b>	<b>\$ 98,899,546</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING OCTOBER 31, 2005 AND OCTOBER 31, 2004**

FUNCTION	FY2006 APPROVED BUDGET	FY2006 EXPENDITURES THRU 10/31/05	% OF BUDGET	FY2005 EXPENDITURES THRU 10/31/04
Legislative & Executive.....	\$ 5,510,136	\$ 1,503,075	27.3%	\$ 1,552,786
Judicial Administration.....	\$ 31,616,488	\$ 10,400,660	32.9%	\$ 10,115,485
Staff Agencies				
Information Technology Services.....	\$ 7,808,866	\$ 2,140,387	27.4%	\$ 1,846,640
Management & Budget.....	1,015,329	271,896	26.8%	278,277
Finance.....	8,540,883	2,277,306	26.7%	2,410,056
Real Estate Assessment.....	1,268,167	349,892	27.6%	325,108
Personnel.....	2,854,163	950,352	33.3%	754,272
Planning & Zoning.....	4,092,808	1,117,972	27.3%	1,033,966
Other Planning Activities.....	2,694,336	1,236,684	45.9%	1,300,454
City Attorney.....	2,338,305	655,732	28.0%	661,776
Registrar.....	1,004,622	283,454	28.2%	386,175
General Services.....	11,161,764	3,230,513	28.9%	3,150,721
Total Staff Agencies	\$ 42,779,243	\$ 12,514,188	29.3%	\$ 12,147,445
Operating Agencies				
Transportation & Environmental Services.....	\$ 24,755,470	\$ 7,627,228	30.8%	\$ 7,780,565
Fire.....	32,018,747	10,284,690	32.1%	9,756,821
Police.....	44,862,561	14,451,583	32.2%	13,987,594
Transit Subsidies.....	6,145,697	3,542,429	57.6%	3,294,095
Housing.....	1,233,413	340,094	27.6%	284,087
Mental Health/Mental Retardation/ Substance Abuse.....	509,400	307,838	60.4%	371,343
Health.....	7,339,093	1,205,483	16.4%	900,026
Human Services.....	10,396,444	3,365,163	32.4%	3,120,520
Historic Resources.....	2,462,385	801,910	32.6%	717,084
Recreation.....	18,363,971	6,205,962	33.8%	6,007,946
Total Operating Agencies	\$ 148,087,181	\$ 48,132,380	32.5%	\$ 46,220,081
Education				
Schools.....	\$ 138,753,138	\$ 34,079,445	24.6%	\$ 31,197,842
Other Educational Activities.....	12,990	6,495	50.0%	6,649
Total Education	\$ 138,766,128	\$ 34,085,940	24.6%	\$ 31,204,491
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 27,714,883	\$ 995,360	3.6%	\$ 977,503
Non-Departmental.....	10,840,993	3,679,169	33.9%	3,563,826
Cash Capital.....	18,859,735	18,859,735	100.0%	21,382,000
Contingent Reserves.....	376,500	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 57,792,111	\$ 23,534,264	40.7%	\$ 25,923,329
TOTAL EXPENDITURES	\$ 424,551,287	\$ 130,170,507	30.7%	\$ 127,163,617
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	33,475,708	-	0.0%	-
Transfer to Library.....	6,438,429	2,145,928	33.3%	1,989,514
Transfer to DASH.....	6,342,000	2,113,788	33.3%	1,900,050
TOTAL EXPENDITURES & TRANSFERS	\$ 470,807,424	\$ 134,430,223	28.6%	\$ 131,053,181

**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

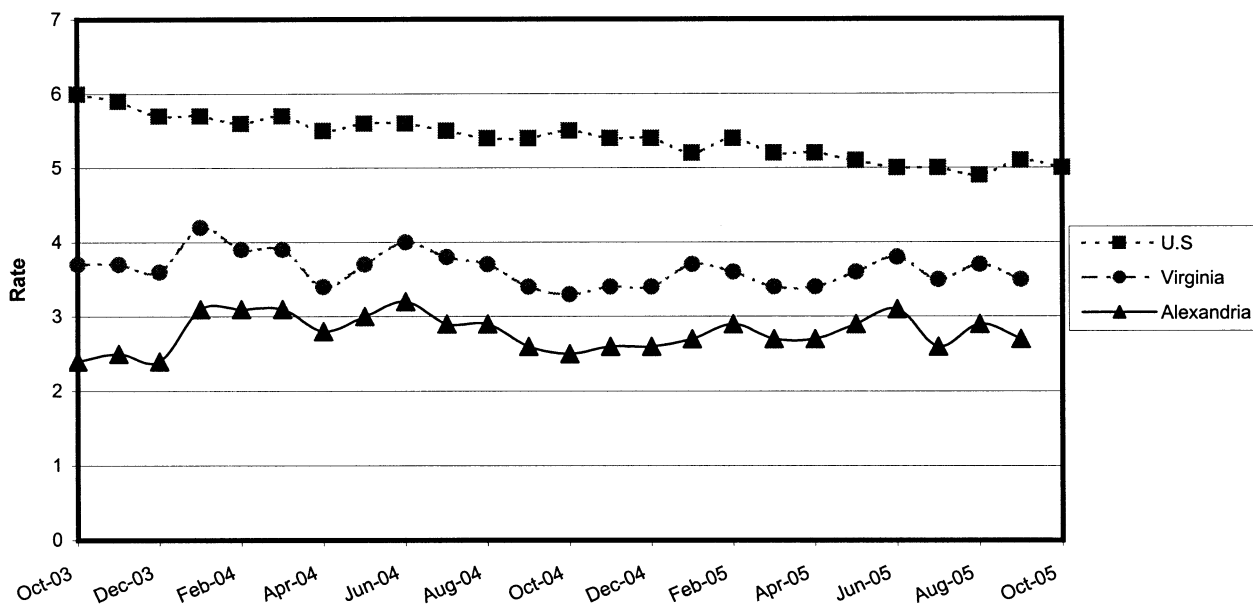
	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U)</u></b> <b>for the Washington-Baltimore,</b> <b>DC-MD-VA-WV Area</b> (As of September 30, 2005) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	126.7	120.8	+4.9%
<b><u>Unemployment Rates</u></b> <b>Alexandria</b> <b>Virginia</b> (As of September 30, 2005) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	2.7% 3.5%	2.6% 3.4%	4% 3%
<b>United States</b> (As of October 31, 2005) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.0%	5.5%	-9%
<b><u>Interest Rates</u></b> (As of October 31, 2005) <b>Prime Rate</b> <b>Federal Fund Rate</b> (Source: SunTrust Economic Monitor)	6.75% 3.75%	4.75% 1.79%	+42% +109%
<b><u>New Business Licenses</u></b> (During August ) (Source: Finance Department, Business Tax Branch)	64	100	-36%
<b><u>Office Vacancy Rates</u></b> (As of June 30, 2005) <b>Alexandria</b> <b>Northern Virginia</b> <b>Washington DC Metro Area</b> (Source: Grubb & Ellis)	9.8% 12.0% 11.9%	8.9% 13.9% 11.2%	+10% -14% +6%
<b><u>New Commercial Construction</u></b> (As of September 30, 2005 ) <b>Number of New Building Permits</b> <b>Value of New Building Permits</b> (Source: Fire Department Code Enforcement Bureau)	- -	1 \$ 8.40 million	-100% -100%
<b><u>Residential Real Estate Indicators</u></b> (for the nine months ended September 30, 2005) <b>Residential Dwelling Units Sold</b> <b>Average Residential Sales Price</b> (Source: Department of Real Estate Assessments)	2,752 \$477,714	2,970 \$384,805	-7% +24%



# City of Alexandria Selected Economic Indicators

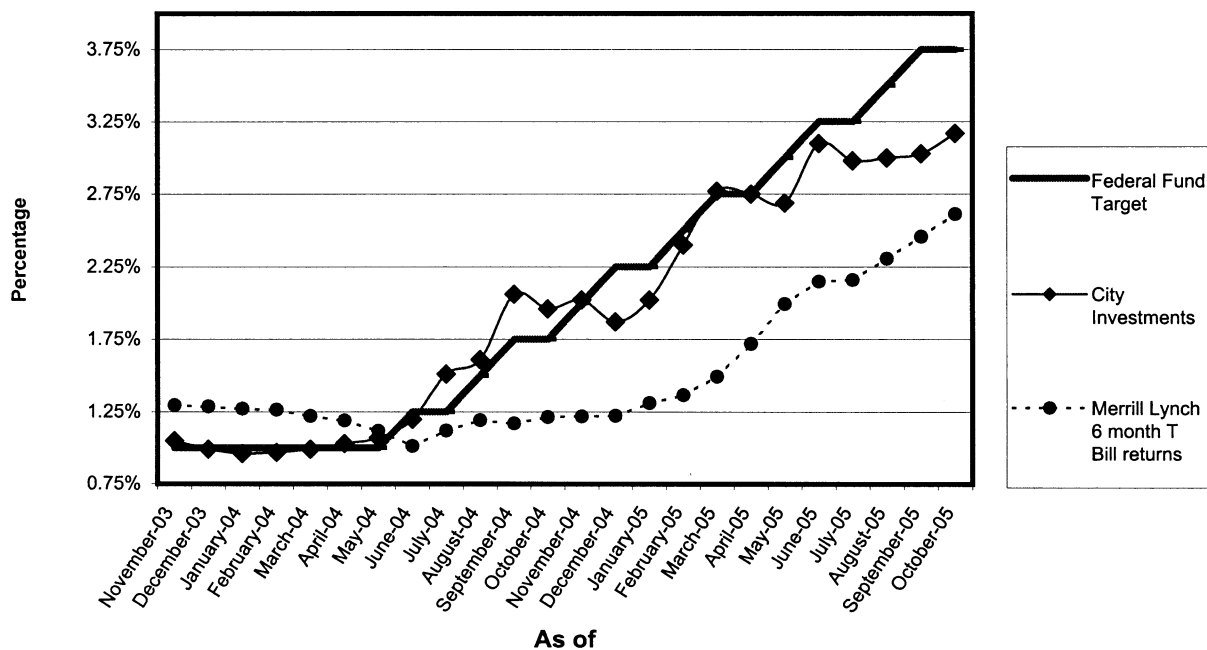
Attachment 3

## Unemployment Rates - US, Virginia and Alexandria



Source: United States Department of Labor, Bureau of Labor Statistics (revised by BLS March and June 2005)

## Selected Interest Rates

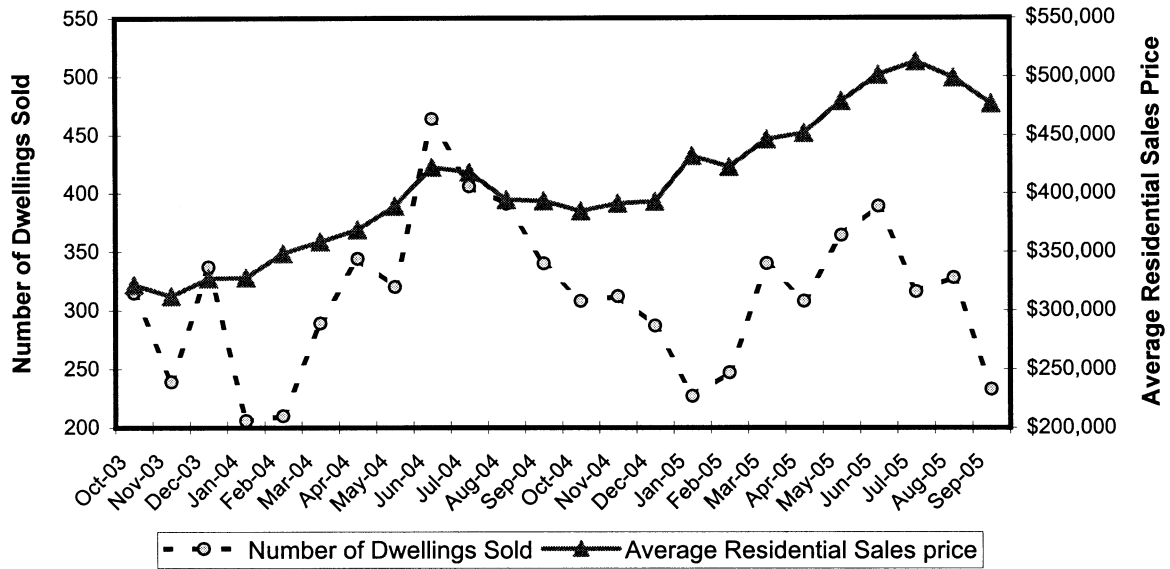


Source: Suntrust Economic Monitor

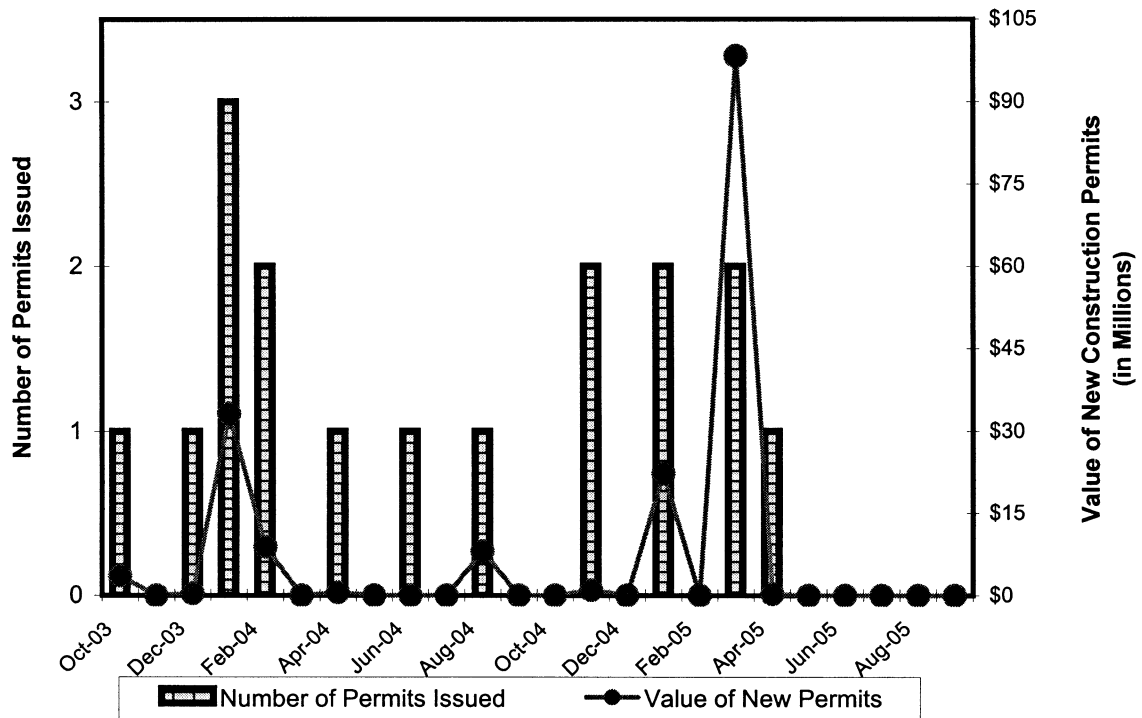
**City of Alexandria  
Selected Economic Indicators**

Attachment 3

**Selected Residential Real Estate Indicators**



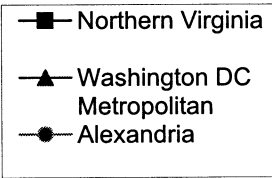
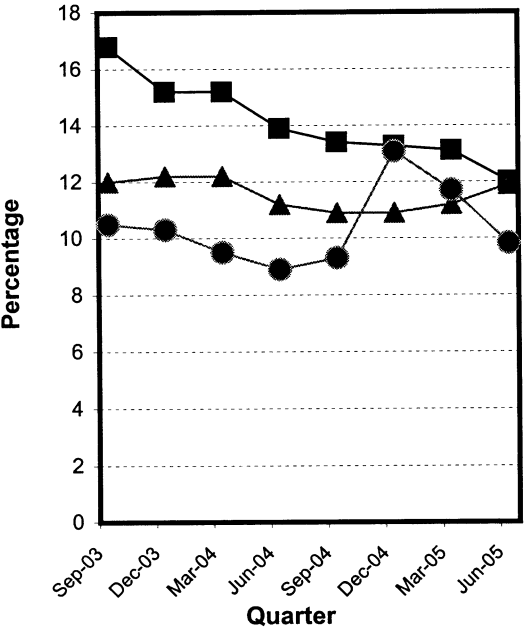
**Alexandria New Commercial Construction  
Number of Permits and  
Value of New Construction Permits**



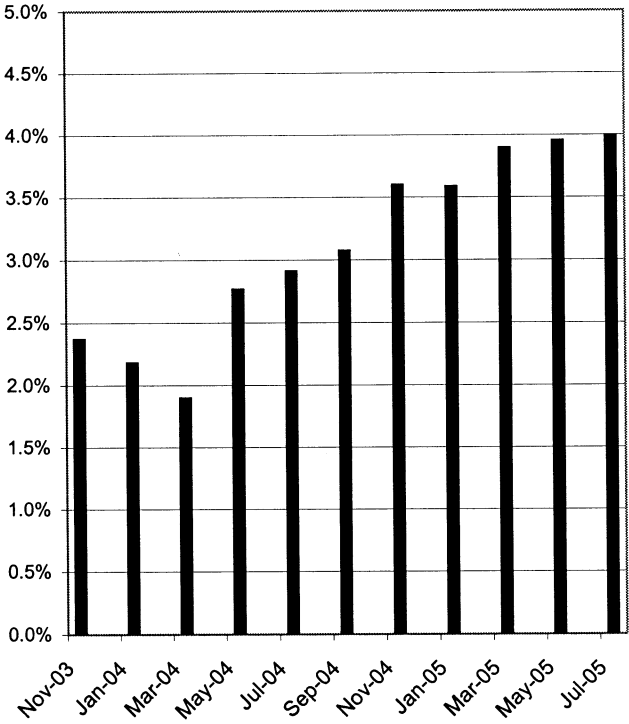
# City of Alexandria Selected Economic Indicators

Attachment 3

Office Vacancy Rates



Twelve Month Annualized Percentage  
Change in Consumer Price Index  
Washington/Baltimore



Source: United States Department of Labor, Bureau of Labor Statistics

New Business Licenses Issued in Alexandria

